

## EssilorLuxottica: Looking into the future

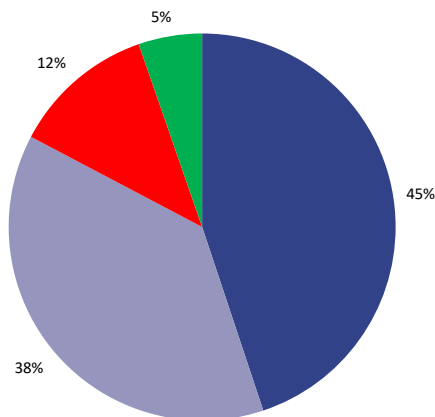
*Shifts in how we live, work, and express ourselves are fundamentally reshaping global eyewear demand. Increased screen usage and time spent online are placing growing strain on eye health, accelerating the prevalence of myopia worldwide. At the same time, advances in artificial intelligence are transforming how we interact with the world, creating significant long-term growth opportunities. Positioned at the intersection of these powerful trends is EssilorLuxottica, the global leader in the optical industry with approximately 25% market share. The group owns a portfolio of iconic lens and eyewear brands, including Varilux, Crizal, Stellest, Ray-Ban and Oakley, holds licensing agreements with leading luxury brands such as Chanel, Prada, Dolce & Gabbana, and Armani and operates an extensive retail network comprising LensCrafters and Sunglass Hut. This article examines the drivers behind the company's recent share price weakness and outlines why we believe the current valuation presents an attractive investment opportunity.*



**Nick Rogers**

Let me start this article with the reasons behind the 40% decline in the share price from the 2025 peak. Firstly, US trade tariffs created a €300 million headwind to operating profit and accounted for approximately one-third of the gross margin decline in 2025. Secondly, the US is the largest market (45% of group sales), consequently the devaluation of the dollar against the Euro over 2025 translated into

### REVENUE BY GEOGRAPHY



■ North America ■ EMEA ■ Asia-Pacific ■ Latin America

*North America is the largest market (45% of 2025 sales), however, growth is accelerating in Asia-Pacific, notably China, where rising demand for myopia management products increased 26% in Q1 2026.*

### SPEED READ

- 80% of what we learn is processed through our eyes.
- By 2027, there will be an estimated 7.69 billion smartphone subscriptions versus the 8.37 billion global population whilst current screen time averages 6 hours and 54 mins per day.
- Recent data from the International Myopia Institute suggests that if current trends continue, nearly 50% of the world's population will be myopic by 2050.
- Essilor Luxottica's Stellest lenses slow the progression of myopia, by 71% on average over 2 years.
- Ray-Ban Meta smart glasses have incorporated the iconic glasses with built-in cameras, open-ear audio, AI-powered solutions and the ability to livestream and take calls hands-free.
- Essilor Luxottica's is well positioned to navigate through the short-term weakness thanks to multi-year structural tailwinds of eye-care, Artificial Intelligence eye-wear innovation and an unparalleled vertically integrated business model.

exchange rate pressure as the company reports in Euros. Thirdly, the EU regulation on privacy delayed the roll-out of the company's AI smart-glasses across Europe which hurt sales expectations. Finally, increased competition from the likes of Apple, Google and Alibaba who all announced products to compete with Essilor Luxottica's smart-glasses dampened analyst's expectations for the likelihood of continued high margins which the company has enjoyed, being the 1st mover in this exciting space. Management believes it is two years ahead of competitors and possesses

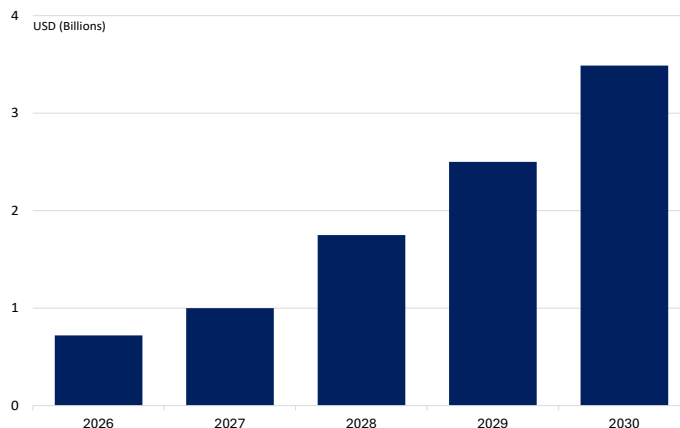
a unique distribution network that is almost impossible to replicate in the short term.

Let us now examine the core drivers of future growth, Myopia management and the AI opportunity.

Myopia (short-sightedness) has rapidly become one of the most pressing health challenges of the 21st century. The highest rates are found among children and teens, particularly in urban areas and developed regions. Why? Exposure to natural light stimulates retinal dopamine release which is a key factor in inhibiting the lengthening of the retina. In myopia, the eye grows too long, exceeding the normal 23–25mm, which in turn causes light to focus in front of the retina instead of directly on it. This causes distant objects to appear blurry. Excessive screen time, which occurs predominantly within offices and homes, where natural light is limited, exacerbates the problem. People now spend an average of 6 hours and 54 minutes on screens every day with Gen Z (the youngest) averaging 9 hours a day! There are expected to be 7.69 billion smartphone subscriptions by 2027 versus the 8.37 billion expected global population according to the Ericsson Mobility report. Herein lies the opportunity. Expanding on 45 years of Myopia research and innovation, EssilorLuxottica's Stellest lenses became the first US FDA-authorized ophthalmic lenses proven to slow the progression of myopia, by 71% on average over 2 years. The myopia management division expanded its revenue by 22% in 2025, driven by strong Chinese demand. According to the World Health Organization, vision impairment causes about \$411 billion a year in lost global productivity, far more than the estimated \$25 billion needed to address the unmet need. EssilorLuxottica is a market leader in myopia management and is exceptionally well-placed to capitalize on increased global spending in eye care.

Last year marked a further acceleration in EssilorLuxottica's evolution from an optical company into a leading medtech and big-data group. Core to this growth is the company's Artificial Intelligence or AI-glasses, developed in partnership with US tech behemoth Meta (Facebook) and its own well-known brands, Ray-Ban & Oakley. The latest "Gen 2" glasses feature a 12-megapixel camera for hands-free video/photo capture with built in speakers. The glasses can literally "see" what you see. All you have to do is say "Hey Meta, what am I looking at?" and the glasses will provide in-the-moment insights such as translating foreign road signs, identifying landmarks/plants/wildlife

## AI MARKET OPPORTUNITY



*The global AI smart glasses market size is projected to grow from \$720 million in 2026 to \$3.4 billion by 2034, an impressive CAGR of 34.3%.*

or providing directions. If you point the camera at random ingredients in your kitchen and ask for a recipe, the glasses will suggest specific dishes and/or cooking instructions. The opportunities to monetise these services are seemingly endless and again, Essilor Luxottica has first-mover advantage. Despite being launched less than 2 years ago, the company sold more than 7 million AI-glasses in 2025 (versus 1.8m in FY24) or 76.1% of all AI-glasses sold worldwide, illustrating Essilor Luxottica's dominance.

During the 2026 US Masters Tournament, Augusta National had to intensify security checks to crack down on the use of AI-powered smart glasses which were used to circumvent the strict no-phone and no-camera policies. This highlights a key risk of AI-powered glasses - the ability to turn casual, everyday interactions into surveillance breaches and consequently the erosion of personal privacy. For instance, the glasses can link facial recognition to social media sites and provide names and home addresses in seconds or be used to spy and record confidential meetings etc. As a result, the EU regulators have delayed the roll-out of Meta-Ray-bans across Europe, in part due to stringent AI privacy compliance. These regulations will impact all AI-enabled

mobile devices across ALL tech companies, not just Essilor Luxottica. Furthermore, AI-enabled glasses are becoming increasingly important tools across global healthcare, manufacturing, and logistics, boosting productivity through hands-free workflows, with users reporting up to a 30%

*“Despite being launched less than 2 years ago, the company sold more than 7 million AI-glasses in 2025”*

improvement in operational efficiency. When the benefit becomes greater than the cost, privacy will become less of a concern and as demand increases, economies of scale will drive returns.

EssilorLuxottica is the only company in the eyewear industry that controls the entire value chain from R&D and manufacturing (600 production facilities) to distribution and retail (17,500 retail outlets). Why is this important? Cost synergies are continually improved, which in turn boosts profit margins. Furthermore, the company has scaled research spending to approximately €850 million annually to support the convergence of optics, electronics, and medical tech. This is approximately 4x more than competitors combined. The company has just announced the acquisition of a significant stake in Top Charoen, the largest optical distribution chain in Thailand, with a network of more than 2,000 stores. Expanding East will further drive the emerging market opportunity on offer.

CFO Stefano Grassi doesn't see much inflationary impact or supply chain disruption for the company from the war in Iran. However, sustained price rises are set to hit discretionary goods at a time when global consumers are under pressure, especially from high fuel prices. That said, the current heightened geo-political tensions and tough consumer environment are beyond management's control,



*Essilor Luxottica's Price Earnings (PE) ratio has moved swiftly from a large premium to its 5-year average to a discount. This offers a margin of safety given the forecast 12% compounded annual growth in its earnings over the next 3 years."*

but these will ease. What is really core to the investment case are the structural tailwinds, namely Myopia and AI where the company is very well positioned to generate solid returns over the long term. We are happy to add the share to offshore portfolios at current levels having waited patiently for the valuation to unwind.



*EssilorLuxottica produces the sunglasses of dozens of luxury fashion brands including Prada.*



Our next seminar will be held in June. As usual, we will review the first six months of the year and update our outlook for the remaining six months.



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**Topic:** **2026: The first six months**

### Natal Midlands

Date: 4 June 2026

Venue: Christ Church Howick, 23 Mare Street, Howick

Morning Time: 10am for 10.30am

Evening Time: 5.30pm for 6pm

### Johannesburg

Date: 9 June 2026

Venue: Rosebank Union Church, Cnr Winne Mandela Drive and St Andrews Road, Hurlingham

Time: 7am for 7.30am

### Cape Town

Date: 11 June 2026

Venue: Kelvin Grove Club, 144 Camp-ground Rd, Newlands, 7700

Time: 7.30am

Venue: Helderberg Village Lifestyle Estate, 63 Bakkerskloof Rd, Helderberg Village, Cape Town

Time: 5.30pm for 6pm



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Performance figures quoted for the portfolio is from Morningstar, as at the date of this document for a lump sum investment, using NAV-NAV with income reinvested and do not take any upfront manager's charge into account. Income distributions are declared on the ex-dividend date. Actual investment performance will differ based on the initial fees charge applicable, the actual investment date, the date of reinvestment and dividend withholding tax. Performance fees do not apply to any funds managed by Harvard House. The manager does not provide any guarantee either with respect to the capital or return of the portfolio. A schedule of fees, charges, and maximum commissions are available on request from the manager.

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